

## Message Text

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PAGE 01 STATE 115363  
ORIGIN TRSE-00

INFO OCT-01 NEA-11 ISO-00 EB-08 AID-05 XMB-02 SS-15  
COME-00 EUR-12 SSO-00 CIAE-00 INR-10 NSAE-00  
INRE-00 OMB-01 /065 R

TREAS

DRAFTED BY TREAS: JDLANGE

APPROVED BY EB/IFD/ODF;AFWATSON

TREASURY:ASOLOMON

TREASURY:LWBOWDEN

STATE:PKENNEDY

AID: GKAMENS

EB/IFD/ODF:TPARKER

-----030058 052230Z /61

O R 052123Z MAY 78

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L STATE 115363

E.O. 11652: GDS

TAGS: BTRA, EG, US

SUBJECT: U.S. TELECOMMUNICATIONS PACKAGE

REF: A) STATE 109182

B) STATE 105609

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1. TREASURY SECRETARY BLUMENTHAL AND UNDER SECRETARY SOLOMON DISCUSSED PROPOSED JOINT EGYPTIAN TELECOMMUNICATIONS PACKAGE ON APRIL 27TH WITH SENIOR EXECUTIVES OF THREE U.S. TELECOMMUNICATIONS COMPANIES.

2. CONTINENTAL TELEPHONE CHAIRMAN CHARLES WOHLSTETTER, GTE CHAIRMAN THEODORE BROPHY, AND AT&T PRESIDENT CHARLES BROWN OUTLINED A TWENTY-YEAR TWENTY BILLION DOLLAR JOINT TELECOMMUNICATIONS PACKAGE FOR EGYPT. PROPOSAL STEMS FROM AID-

FINANCED STUDY OF EGYPTIAN TELECOMMUNICATIONS NEEDS WHICH IS BEING COMPLETED BY CONTINENTAL.

3. THE FIRST PHASE OF THE PROPOSAL WOULD REPRESENT A FIVE-YEAR PROGRAM COSTING ABOUT THREE BILLION DOLLARS. EMPHASIS WOULD BE ON SERVICE IMPROVEMENTS IN EXISTING SYSTEM PLUS INTEGRATED EXPANSION PROGRAM OF APPROXIMATELY 660,000 LINES

OF ELECTRONIC SPC SWITCHING EQUIPMENT. FINANCING WOULD BE SOUGHT FROM SUCH SOURCES AS AID, EXIMBANK, COMMERCIAL U.S. AND EUROPEAN BANKS, AND GOVERNMENT-TO-GOVERNMENT LOANS FROM SAUDI ARABIA AND OTHER ARAB STATES.

4. UNDER SECRETARY SOLOMON FELT THAT EXIMBANK WOULD BE WILLING TO LEND TO EGYPT FOR PROJECT, BUT ONLY WITH THIRD COUNTRY (I.E., SAUDI) GUARANTEE. GT&E CHAIRMAN BROPHY STATED THAT SAUDI GUARANTEE IS LIKELY TO BE RESERVED FOR NON-OFFICIAL FINANCING. HE FELT THAT REFUSAL BY EXIMBANK TO LEND ON UNGUARANTEED BASIS MIGHT ENCOURAGE EGYPTIANS AND SAUDIS TO SEEK NON-U.S. SUPPLIERS FOR THIS PROJECT. BROPHY WAS NOT ABLE TO BE PRECISE REGARDING AMOUNT OF EXIMBANK FINANCING ENVISAGED.

5. SECRETARY BLUMENTHAL POINTED OUT THAT UNITED STATES  
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AND SAUDI ARABIA ARE THE MAJOR AID CONTRIBUTORS TO EGYPT AND SUGGESTED THREE COMPANIES HOLD DISCUSSIONS DIRECTLY WITH AID AS WELL AS EXIMBANK.

6. ADNAN KHASHOGGI IS SERVING AS COMPANIES' AGENT BETWEEN SAUDIS AND EGYPTIANS. KHASHOGGI'S ASSISTANCE IS REPORTED VALUABLE BECAUSE OF HIS CLOSENESS TO PRINCE FAHD AND EGYPTIANS, ACCORDING TO BROPHY. BROPHY STATED THAT CARE IS BEING TAKEN TO ENSURE THAT THERE ARE NO IMPROPER PAYMENTS.

7. PROPOSAL DOES NOT CALL FOR COMPETITIVE BIDDING. PRESIDENT SADAT HAS REPORTEDLY REQUESTED THAT IT BE SUBMITTED AS SOON AS POSSIBLE IN ORDER TO REACH DECISION BY JULY 23. CHRISTOPHER

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## Message Attributes

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**Disposition Approved on Date:**  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014